

TESTIMONY BY KANOE MARGOL  
INTERIM EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM OF THE STATE  
OF HAWAII

TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 1087, S.D. 1, H.D. 1

APRIL 7, 2015, 2:30 P.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Luke, Vice Chair Nishimoto and Members of the Committee

S.B. 1087, S.D. 1, H.D. 1 proposes to amend sections 88-96(a) and 88-341(a), Hawaii Revised Statutes, to extend the deadline by which former State or County employees who are not eligible for retirement benefits from the Employees' Retirement System (ERS) are required to take a refund of their accumulated contributions. Currently, non-vested, terminated members of the Contributory and Hybrid plans must have their contributions refunded by the ERS upon attaining age 62. This proposal would allow the member to take a refund at age 62 or delay this mandatory refund to 4 calendar years after the date of termination (whichever is later), thus, providing the member with the opportunity to become re-employed in a position and to earn retirement eligibility.

In addition, S.B. 1087, S.D. 1, H.D. 1 proposes to amend 88-341(c) to correct a discrepancy of vesting requirements for new Hybrid members under Act 163/2011 that would help reduce the ERS' unfunded liability. You may recall that the pension reforms enacted by Act 163 increased the vesting period for Hybrid members hired after June 30, 2012 from 5 to 10 years. However, the Act did not properly make the 10 year change for the vested death benefits of members who terminate and pass away after leaving government service but before retirement. This bill would make the requirements for vested death benefits the same as those for vested refunds. Also, this bill would properly reduce the vested lump sum benefit payable to the member's beneficiary to be consistent with Act 163 benefits (i.e., from 150% of the members accumulated contributions to 120%). These housekeeping measures would help reduce ERS' unfunded liability which was the primary intent of Act 163. This provision would be applicable to members after June 30, 2015.

The ERS Board of Trustees supports this proposal.

Thank you for the opportunity to testify on this important legislation.